

# MEDICAID EXPANSION: IT MAKES SENSE FOR SOUTH DAKOTA

Governor Daugaard is seizing on a unique opportunity to fix a long standing reimbursement issue with Indian Health Service and expand Medicaid to cover an additional 50,000 South Dakotans at no additional cost to state taxpayers.

## NO STATE BUDGET IMPACT

Governor Daugaard's plan does not increase the state budget. The plan repurposes existing state general funds within the Medicaid budget.

## FIXING THE INDIAN HEALTH SERVICE (IHS) REIMBURSEMENT ISSUE

People can be eligible for both Medicaid and Indian Health Services.

When American Indians eligible for both Medicaid and IHS receive care directly from an IHS facility, the federal government pays 100% of the bill. Today when that same individual receives care outside of IHS the bill is split- the federal government pays 52% and the state pays 48%.

- In FY15 we spent \$208.2 million for health care for people eligible for both Medicaid and IHS
  - \$139 million (\$67 million state funds) spent outside IHS
  - \$62.2 million spent at IHS and paid at 100% federal funds

CMS issued a policy change in February 2016 that expands the definition of when services qualify for 100% federal reimbursement for care at non-IHS providers. The savings are enough to fully fund the state cost of expansion.

## FISCALLY CONSERVATIVE COST ESTIMATES

Governor Daugaard's budget estimates project the state cost of expansion at \$57 million in 2021 when the federal government's share drops to 90%. The estimates include a number of conservative assumptions:

- Added 10% to the number of projected eligible
- Accelerated rate of enrollment – 90% in year 1 and 100% in year 2
- Added 20% to projected cost per eligible
- Although 30% of expansion population estimated to be American Indian, we assumed no 100% match for expansion group
- Ignored increased economic impact to state tax revenue estimated at \$8.6 million

## GOOD FOR SOUTH DAKOTANS

- Adults who cannot earn enough to gain subsidized insurance coverage would have coverage.
- Tribal members would see improved care through IHS
- Counties would see savings through poor relief
- Sheriffs with jails and state prisons will have less medical costs for indigent prisoners hospitalized for longer than 24 hours
- Hospitals will have less charity care
- Medicaid providers through opportunity for improved payment rates if enough ongoing state funds are saved beyond the cost of expansion

## SOUTH DAKOTA DECISION

Governor Daugaard appointed the South Dakota Health Care Solutions Coalition to develop recommendations if the state moves forward with expansion. This large stakeholder group included tribes, legislators, IHS, providers, state agencies, and other stakeholders.

The Governor will not support expansion unless state fund savings in the existing budget can be made available to fully fund expansion and tribes and the legislature support the plan.

**Medicaid expansion makes sense for South Dakota** with the opportunity to improve healthcare for American Indians, save money for counties and Medicaid providers, and potentially save millions in state dollars.